

Across boundaries

Legal Business teamed up with global referral group Interlaw to ask GCs about the service they get across borders

ALEX NOVARESE

Alex Novarese, *Legal Business*: *How do people feel about the service from law firms?*

Simon White, Cognizant: There are a lot of individuals I like a great deal but as institutions, I struggle with law firms as a concept.

Alex Novarese: *Because?*

Simon White: I work at a company that has a large legal team. Over 300 globally. The things that are specialisms for us, we have some of the best lawyers in the world. Areas where we go out to counsel I struggle to get consistency. I do not regard myself as having a relationship with law firms; I have relationships with individual partners.

Lucy Vernall, Funding Circle: I agree entirely. Very often you can have a very good relationship with an individual partner or associate who can give you very good advice, but they involve the rest of the team and there is no consideration around whether that relationship will work.

Charles Sermon, Mereo BioPharma:

Consistency across continents in your main markets is key for us.

Michael Siebold, Interlaw: Is there any guidance you could give us to reach that consistency?

Zoë Aldam, *Financial Times*: Even if there is consistency of quality there is not necessarily consistency of approach. You can get contrasting approaches from lawyers working on the same matter but in different jurisdictions. That's challenging.

Alex Novarese: *What are the structural impediments in the legal industry to improving global service?*

Simon Evans, Vesuvius: There are different jurisdictions and different cultures. Some firms address these challenges by moving their people around between offices to ensure consistency. That is one of the solutions. ►



Nayeem Syed, Thomson Reuters

► **Lucy Vernall:** There is a problem with a lot of lawyers giving a view. It might be OK when you need some black and white advice but when you need something more complex, even in the UK, it is quite hard to get. In the US, it is sometimes hard to get. Certainly, in other jurisdictions it is really hard to get.

Alex Novarese: *Are there any jurisdictions where you get better service on a cultural level?*

Charles Sermon: We find that because we do a lot of work with US lawyers and UK lawyers and some of the firms that we have worked with do send people from the UK to the Washington office or the San Francisco office, they get experience working together. That is amazingly helpful.

Alex Novarese: *It is a cliché to say technical excellence is a given. Is that true?*

Simon White: I would never go to a law firm on GDPR.

Alex Novarese: *Because?*

Simon White: We are all in the same boat – all learning what GDPR is. Most lawyers and law firms do not understand how companies work in terms of process and people. The biggest thing about GDPR is culture change within an organisation. That is not something lawyers sitting in a nice office in the City really understand.

Daniel Lichtenstein, Grant Thornton International:

Law firms have industry specialisms. That tends to be attractive to companies in a specific industry. Just because a firm is a global firm I do not think I could assume technical expertise.

Alex Novarese: *Hourly billing has been a bugbear for years. GCs are great. We love them. But it is kind of your fault, is it not?*

Simon White: It is.

Alex Novarese: *What I would take from that is it is in the interest of many GCs to have hourly billing because if it wasn't, it would have gone already.*

Simon White: I am not sure that is right. Law firms are the last professional service industry that is obsessed with T&M. Everyone else is driving to different models. OK, you can throw it



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Simon Evans,
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back on us as customers and say, ‘Why are you not doing that?’ but other professional service firms we use in consultancy do not do that.

Alex Novarese: *Bluechip consultants are value for money?! That is a new one.*

Simon Evans: From an in-house lawyer’s view, the best way of controlling fees is to tender for everything because you would reduce the price. You can do that for certain work but not others. It may be too sensitive, too confidential, too urgent. Then, ultimately, the law firms have their own profit models, which are based on time. There is a lot of competition coming in. However, for the bigger ticket work, they still get away with it.

Alex Novarese: *There are a lot of transactions that get funnelled to a very small group of law firms, even though it is not six firms that can do it; it is 26 or 56. Ultimately, what does the IBM factor mean? It means somebody did not want to put their name behind hiring somebody other than IBM. And that somebody is sitting around this table.*

Simon Evans: You are right. The GC would have to convince the board that a slightly less familiar name is going to do the job well. If they are prepared to pay more, it is less risk on you.

Michael Siebold: I have never understood why lawyers would sell on an hourly basis. Legal advice does not necessarily have to be the cheapest. It has to be worth the price that you are paying. We can price everything. If we cannot, we should not be your firm.

Alex Novarese: *How easy is it for people around the table to benchmark market rates for various kinds of job?*

Simon Evans: You have a sense of what something should reasonably cost and know that will vary a bit by jurisdiction and law firm, but you think that is probably lower than the law firm’s figure. If you go into a new legal area, then your certainty will be lower but you have probably seen most types of transactions to give you an idea of an appropriate cost.

Alex Novarese: *Yet the legal market is stunningly opaque.*

Simon White: I do not feel I have any way of benchmarking against what other corporates are paying for similar things. I know what I think is a fair price but if I get three or five firms to pitch for that work, I do not know how that compares to what they then pitched the week before to someone else. It is odd because in the tech industry, benchmarking rates is critical.

Alex Novarese: *Vodafone has made a few experiments with different ways of buying legal services. Any lessons on a better way of doing things?*

Sarah Rosser, Three [and previously Vodafone]: We have a panel so we can obviously benchmark what everyone gives us as rates, which is helpful. For lower complexity work, alternative legal service providers are getting in on the act. We might go out to three or four law firms and say, 'Pitch us on a large complex contract' but they cannot compete with putting a bum on a seat for a contractor to be on site giving you 24/7 legal support and getting to know your business. On the more complex matters, there is the feeling that you go to Slaughters or Linklaters because they are the experts and you are willing to pay for that. On the [Vodafone] panel recently, we introduced Lexoo, which is leftfield.

Charles Sermon: Who are they?

Sarah Rosser: Lexoo is a way of getting 60 different law firms on your panel but not having 60 different law firms. They will take an RFP and go out to market and find the best rate. It is an interesting disruptor. They have just arrived on [Vodafone's] panel. We will see how that plays out. On what I would call 'peaks and troughs work' where you just need somebody who knows what they are doing to deal with massive work that has come in that your team cannot deal with, law firms are missing out. That is where Lawyers On Demand, Axiom and Obelisk are playing their part.

Alex Novarese: *Is the next stage where you start to build your own Lawyers On Demand?*

Sarah Rosser: We all know people who want to work differently. That is a massive change. Five years ago if you went to Lawyers On Demand, they did not have the bench strength. You were getting people coming who were maybe not



making it in the mainstream. But now you can get good quality people who want to work like that.

What I do not see from law firms is them distinguishing what you are asking for. They are losing out. On the basis of the business model, unless you allow people within that law firm to operate differently, they are never going to offer anything different to their client.

Patrick Crumplin: That suggests fundamental change in the whole business model, not just how you price a particular project.

Alex Novarese: *How do law firms compare in service levels and the issues we have been talking about to banking, consultancy or accountancy?*

Lucy Vernall: Banks are not very good at it. They work on a relationship basis. They have their fingers in everything and are instructed because of who is on the board. Accountants, while they charge you on a different basis, are on the sell constantly. Often if you are on a project where you have banks, accountants and lawyers, the lawyers are providing by far the best service.

James Wood, Legal Business: *Has anyone worked with the legal services arms of the Big Four?*

Lucy Vernall: Yes. I have not done it for a long time, but I would not work with them again.

Sarah Rosser: It is interesting because they have 2,000 lawyers worldwide. Who are they providing the services for?

Lucy Vernall: I did not think their quality was particularly good. The time they come up is when you are dealing with one of the Big Four and they are doing a project for you and they say, 'We are not advising on the legal bit' because there is a very narrow scope of work that involves not very much and everything else is outside it. The work that lawyers are doing is fairly simple and I do not think they have done it particularly well.

Charles Sermon: Also, you have to be very careful because if you have an audit risk committee there are certain guidelines on non-audit services. Even if you wanted to use the legal arm of your auditor for services, you are limited as to how much you can do. We do not [use them].



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around the world but it tries to make, act and feel as one.

Michael Siebold: Again, assuming I understand what you want, I then pick the right people. I can vouch for the quality because my relationship with you would be on the line.

Simon White: Then there is a question about whether you pay for that client management piece of that project management piece.

Alex Novarese: *Giving law firms a rest, what do our in-house legal teams do now that they should stop doing?*

Daniel Lichtenstein: Not using technology enough. It should be built into how the department works, from billing management to control management. It is also related to GCs needing to upscale their own technical expertise.

Alex Novarese: *So much resource is going on lawyers directly, the lawyers you employ or pay externally, rather than other skills, whether technology or other business services.*

Daniel Lichtenstein: Yes, but also being able to assess the value-add through technology. There is a great opportunity to integrate technology into everything the GC does.

Alex Novarese: *Sarah, your team has experimented a lot. Is it worth investing in tech?*

Sarah Rosser: We have implemented an end-to-end solution: one front door for data, template creation, extracting meta data from contracts, putting it in the database and reporting on the information from the database itself. We had a particular problem, which was volume. I was looking after the [Vodafone] Enterprise business. We were selling to business customers lots of contracts and lots of volume of fairly low risk and low complexity. Stuff that should be cookie cutter.

My question with a lot of larger in-house departments is: what you are actually doing? There are a lot of things coming through the door but if you look to the lower levels of your team, they are doing a lot of stuff that is not managing risk or driving revenue and probably should not be done by a highly-qualified lawyer. We went to automation because there were no offshore providers offering automation.

Alex Novarese: *Is that something you built internally?*

► **Simon White:** They are often not selling legal services. With GDPR, for example, the Big Four have all gone and hired whoever can spell the word privacy. On the legal bit there is not the structure that checks the quality and consistency. You are with a very, very random group of lawyers who do not know whether they are giving legal advice or not.

Alex Novarese: *Are clients aware if your advisers operate through a network, or do you just focus on the end result?*

Simon Evans: If it is a genuinely multijurisdictional legal practice and if the model works, the seamless international service delivered wherever you want it is fine. The danger is if it has weak links and you are trapped into a network that has four good offices and three poor ones.

Lucy Vernall: It potentially is easier if it is properly managed to get good consistency and quality through a network than through a big international law firm, particularly one made up through mergers.

Alex Novarese: *Michael, how do you do it?*

Michael Siebold: We are non-exclusive in the sense we do not have to use our member firms. We use the best firms locally that we have. Now, we also know what the member firms cannot do. In situations where they are not able to handle something we would ask them to provide somebody more capable.

We also do a tri-annual review where we run due diligence, in most cases with a personal visit. On every matter, the sending firm, the receiving firm and, hopefully, the client will tell us whether we did well or not. It is a scale of one to five; three is not good. Two is acceptable, one would be best. On three, we ask what went wrong? Less than that, we talk about whether we have the right member.

Alex Novarese: *Law firms never shut up about their culture. Do the clients notice it in service?*

Sarah Rosser: I think so. This is not exclusive to the legal industry. It is a big thing to create a global company. Vodafone has its own struggles. It is really a federation of companies



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Michael Siebold,
Interlaw

Sarah Rosser: We built it internally in the UK and globally. It is 4,000-users single sign-on. It is integrated into our IT infrastructure. I do not know if I would recommend anyone to do that because it took three years and a lot of money.

Alex Novarese: *Has it been worth it?*

Sarah Rosser: Yes. For a legal team, it changes the game. In terms of conversation at senior management level, I used to go, ‘We are really busy’, and feel like an idiot. Now you can go, ‘We have a 20% increase on the amount of work we did last year. Our turnaround time has now increased to 45 days. If you give me five more lawyers, I can bring it down to 30 days’. It changes the conversation. It gives you power.

My gut instinct on what we did was there was a lot of low value that nobody needed to check. Then the data validated what I thought and said, yes, probably about 30% of it you do not need to do.

James Wood: *Could you use a system to say to your external counsel: ‘This is how much time this matter should take and cost’?*

Sarah Rosser: Absolutely, yes. The other massive project we did was looking at all our contracts

and templates. We had had the merger with Cable & Wireless and realised we had 17 different types of general terms and conditions, all of which said completely different things, none of them relevant to the business. We had a link to a fair usage policy, which went through to a cowboy sat in a hot tub drinking a beer because it was Cable & Wireless Worldwide, which then got acquired by Country and Western Worldwide. No one had ever noticed until we looked but hours were being spent on negotiating contracts with that link.

Alex Novarese: *That is the most amusing contract story I have ever heard.*

Sarah Rosser: Then it got called Project Stetson. I would challenge everyone to say: do you really know in the standard terms that we use day in, day out what is in there and does it really help our business? There are a lot of in-house legal teams doing stuff that does not add value to their business.

Simon White: I would also say to my team that we spend too much time looking at the contracts and are missing the wood for the trees. I have just come from a board meeting earlier this week and the board were asking about contracts. We have

unlimited liability and they are obsessed with this. That is irrelevant.

Charles Sermon: Automation improving processes and efficiencies might potentially scare some people. What I like to encourage the junior people at the coalface to come up with is ideas about how we could be more efficient. I engage them there so it is not threatening to them.

Sarah Rosser: It is also our responsibility to junior people to be honest. We have a lot of paralegals coming in with the expansion of the legal education system. Those jobs are not going to be there in five or ten years’ time. It is a responsibility to say, ‘Get up the food chain’ and move out of that area that technology will take over.

Simon White: Automation and AI is a thing we are still in transition in understanding. Five years ago, people thought of automation as robots and humans disappear. People now talk about the smart hand or the smart robot hand. The humanity becomes far more important. I work in a massive tech company but in the last five years is we are employing fewer engineers and mathematicians. We are employing people



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Sarah Rosser, Three

change. There is more regulation, more compliance and more complexity. Business models are being challenged at an unprecedented rate so there is more pressure to do more innovative things more quickly. Our work will focus less on pro-forma contracts or standardised advice. Internal clients and external partners are looking for legal teams to step up and give commercially focused legal views that people at different levels and with different training will understand. Those that can operate comfortably when faced with uncertainty and are willing to apply legal frameworks to new situations to achieve organisational goals will be valued and supported. If you can show that value to the organisation, they will listen more to you. If you cannot show that, it is more likely that you will be excluded from key discussions and perhaps eventually the organisation itself.

Lucy Vernal: You have to be able to show the data. It is not just about cutting external legal fees. How do you use technology? People want a business partner. You need to be making yourself more efficient.

Sarah Rosser: Larger in-house legal teams are more at threat than the smaller teams. There is that old adage that you should not have in your back office what is in somebody else's front office. We see that in our own corporates, in finance and HR where they decrease the size of those teams, offshore them, automate them and keep a core. The legal teams have survived because we all say we are so different. Eventually, organisations will realise legal is exactly the same as the HR and finance function. In companies like BT and Vodafone, there are 500 lawyers plus and at Shell, there are 1,000 lawyers. Do you need those 1,000 lawyers? I would not be surprised that in ten years' time we see that decline in in-house teams, as long as there are alternative service providers popping up and showing they can do it cheaper.

Simon White: We are in much more of a mixed model moving forward. There is not a single solution to anything. In-house teams are going to contract. Law firms will contract but there are going to be all sorts of other things out there. It is challenging the boundaries of what is and is not legal advice and we are starting to get less hung up on those pieces and understanding whether this is business advice. There is no solution yet but that is where we are heading.

Alex Novarese: Thank you for your time. LB

► now who do history, theology and psychology because understanding the human piece on whatever we do is super important. Your juniors may be fearing AI, but it is about thinking about what the new skills they need are. Maybe they do not have to become a qualified lawyer but can introduce new skills.

Alex Novarese: How do people see in-house evolving in the next five to ten years?

Simon Evans: We are going to have to use technology more, which is challenging in getting it right because there is an upfront cost. There is also a separate demographic issue with more law graduates being churned out.

James Wood: The FT has set up a near-shoring centre in Belfast. Is that work that would have traditionally been sent to external firms on a lower rate?

Zoë Aldam: It is the less complex work, off the standard form and negotiating things on a relatively monetised basis. It is closely supervised by the more senior members of the team. There is less need to be on the ground. It works well operationally. There is a good handful of lawyers there to have a momentum to it and a team sense to it.

Nayeem Syed, Thomson Reuters: The in-house function will still be important. But it will likely

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THE PANELLISTS

- **Zoë Aldam**, *Financial Times*
- **Ned Beale**, *Trowers & Hamblins*
- **Patrick Crumplin**, *Duff & Phelps*
- **Simon Evans**, *Vesuvius*
- **Daniel Lichtenstein**, *Grant Thornton International*
- **Michael Pattinson**, *Trowers & Hamblins*
- **Sarah Rosser**, *Three*
- **Charles Sermon**, *Mereo BioPharma*
- **Nayeem Syed**, *Thomson Reuters*
- **Lucy Vernall**, *Funding Circle*
- **Simon White**, *Cognizant*
- **Imogen Lee**, *Interlaw*
- **Michael Siebold**, *Interlaw*
- **Alex Novarese**, *Legal Business*
- **James Wood**, *Legal Business*

